



# State of Utah

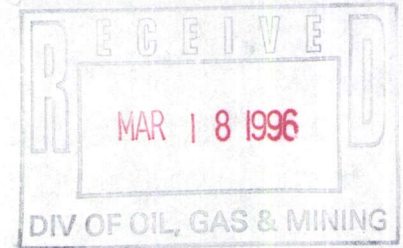
*School and Institutional*  
TRUST LANDS ADMINISTRATION

Michael O. Leavitt  
Governor

David T. Terry  
Director

355 West North Temple  
3 Triad Center, Suite 400  
Salt Lake City, Utah 84180-1204  
801-538-5508  
801-355-0922 (Fax)

M/047/013



March 15, 1996

Gordon S. Ziegler  
President  
Ziegler Chemical & Mineral Corporation  
100 Jericho Quadrangle  
Jericho, New York 11753

RE: Bonding, Utah State Gilsonite Lease ML-46565, ZI-95-1 Mine, Uintah County, Utah,  
DOGM File # M/047/013

Dear Mr. Ziegler:

The School and Institutional Trust Lands Administration is in receipt of Mr. Robert E. Covington Submittal of Amendment to Large Mining Plan, dated March 1, 1996, which addressed proposed mine development and production from Trust lands encompassed in Gilsonite Lease ML-46565.

It is the Trust Lands Administration's understanding that the Division of Oil, Gas and Mining ("DOGM") will include operations on leasehold ML-46565 as an amendment to the existing Large Mining Operations M/047/013.

Under a Memorandum of Understanding with DOGM, the School and Institutional Trust Lands Administration will accept reclamation bonding as required by DOGM as sufficient bonding to cover only reclamation of surface disturbance. Under Article XII of the referenced Gilsonite lease, the Trust Lands Administration will require additional bonding or other security conditioned upon payment of outstanding rentals and royalties. The bonding required by the School and Institutional Trust Lands Administration for the proposed project will be based on \$2,500 per acre of disturbance. The expected area of disturbance as outlined in the Notice to Commence Mining is 4.55 acres thus the total required bonding will be equal to or greater than \$11,375.

Accepted forms of bonding are as follows:

Surety bond - The surety must be registered with the Utah State Insurance Department and the bond must be issued upon an approved School and Institutional Trust Lands Administration bond of lessee form. (copy enclosed)





Gordon S. Ziegler  
March 15, 1996  
Page Two

Time CD - The CD must be issued by a bank that is registered with the Utah State Financial Institutions Department. The instrument must be short term (one year or less maturity) and be automatically renewable. The Trust Lands Administration must be listed as a joint owner and signatory of the account. The CD must be deposited with the School and Institutional Trust Lands Administration for safekeeping and the bank is given notice not to release the funds without the School and Institutional Trust Lands Administration expressed approval.

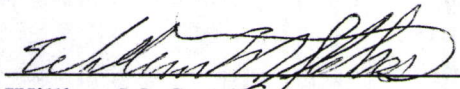
Cash deposit - The money is invested by the Trust Lands Administration and no interest is paid to the depositor.

The Trust Lands Administration will release the bond upon the satisfactory completion of reclamation of the mined land and the payment of all royalties accruing to the Trust Lands Administration. Trust Lands Administration rules provide that bonds may be increased in such amounts and at such times as may be determined necessary to protect the interest of the Trusts. The minerals staff periodically conducts site inspections and reviews the adequacy of existing bonds.

Upon receipt of the required bonding and upon approval from the Division of Oil, Gas and Mining, Ziegler Chemical and Mineral Corporation may commence with operations as outlined in their Notice to Commence Mining at the ZI-95-1 mine site.

If you have any questions please feel free to contact me.

Sincerely,

  
William M. Stokes  
Minerals Resource Specialist

cc: Robert E. Covington  
P.O. Box 1845  
Vernal, Utah 84078

Norman R. Haslem  
Star Route  
Little Bonanza  
Vernal, Utah 84078

Tony Gallegos  
Division of Oil, Gas, and Mining